

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF GTE SOUTH INCORPORATED)	
AND CONTEL OF KENTUCKY, INC., D/B/A GTE)	
KENTUCKY, FOR THE APPROVAL OF THE MERGER OF)	CASE NO.
GTE KENTUCKY AND GTE SOUTH INCORPORATED AND)	93-361
THE AUTHORITY TO INCUR INDEBTEDNESS IN)	
CONNECTION WITH SUCH MERGER)	

O R D E R

On September 27, 1993, GTE South Incorporated ("GTE South") and Contel of Kentucky, Inc. d/b/a GTE Kentucky ("GTE Kentucky") filed a joint application for approval of a merger pursuant to KRS 278.020 and KRS 278.300. GTE South is a Virginia corporation providing telephone service to an eight-state area including Kentucky. The common stock of GTE South is wholly owned by GTE Corporation. GTE Kentucky is a Kentucky corporation. Its common stock is wholly owned by GTE Corporation.

GTE Corporation and Contel Corporation merged in a transaction that was completed on March 14, 1991. The Commission approved this corporate reorganization by Order dated December 13, 1990.¹

GTE South and GTE Kentucky have entered an Agreement of Merger including a Plan of Merger. These documents were filed with the Commission on January 13, 1994.

¹ Case No. 90-278, Joint Application of GTE Corporation and Contel Corporation for Order Authorizing Transfer of Utility Control.

GTE South requests authority to assume all of the existing assets, liabilities, and debt of GTE Kentucky. It also seeks authority to issue additional shares of common stock to GTE Corporation in exchange for GTE Corporation's holdings in GTE Kentucky. GTE South has the necessary personnel and equipment, including outside plant facilities, to operate the telephone system in Kentucky. The merger should result in greater administrative efficiency. GTE South, the surviving corporation, possesses the technical, financial, and managerial resources to provide local exchange access and intraLATA toll communication services within the GTE Kentucky service area.

On the effective date of the merger, the assets and liabilities of GTE South and GTE Kentucky shall be carried on the books of the surviving corporation.

Applicable Law

Pursuant to KRS 278.020(4), persons under the jurisdiction of the Commission are required to receive Commission approval prior to the acquisition or transfer of ownership or control of a utility. KRS 278.020(5) prohibits any entity from acquiring control of any utility under the jurisdiction of the Commission without prior approval. KRS 278.300 prohibits any utility from issuing securities or evidence of indebtedness, or assuming any obligation or liability in connection with the issuance of securities or debt obligation without prior approval from the Commission.

The Commission finds that KRS 278.020(4) and (5) and KRS 278.300 are applicable to the proposed transaction and that

Commission approval is necessary. The Commission finds that GTE South has demonstrated the financial, technical and managerial abilities to provide reasonable service to the public and the proposed transaction is consistent with the requirements of KRS 278.020(4) and (5) and should be approved. The Commission further finds that the proposed financial transactions are for a lawful object within GTE South's corporate purposes and are consistent with the requirements of KRS 278.300 and should be approved.

IT IS THEREFORE ORDERED that:

1. The merger of GTE South and GTE Kentucky, including related financial transactions described in the application, is approved.

2. Within 10 days of the date of the closing, GTE South shall file an executed adoption notice pursuant to 807 KAR 5:011, Section 11.

3. Within 10 days of the closing, GTE South shall provide the journal entries to record the merger on the books of GTE South.

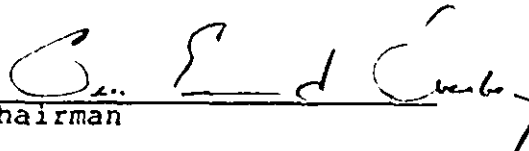
4. GTE South shall notify the Commission within 10 days of the closing that it has occurred or, in the alternative, shall notify the Commission if the proposed merger and related financial transactions do not occur.


5. Within 10 days of the closing and on a semi-annual basis thereafter, GTE South shall provide: (1) a description of the functions and locations of those functions of the centralized operations serving the Kentucky jurisdiction; and (2) any affect on

corporate allocations to the Kentucky jurisdiction of the reorganization efforts.

Done at Frankfort, Kentucky, this 28th day of March, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director